

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 1 — 1 9

2. STATE:

Texas

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

October 21, 2001

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.331

7. FEDERAL BUDGET IMPACT:

a. FFY 2002 \$ -0-b. FFY 2003 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

See Attachment

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

See Attachment

10. SUBJECT OF AMENDMENT: Amendment No. 614 modifies the plan by changing the reimbursement methodology for the Vendor Drug Program (VDP) to allow the Texas Health and Human Services Commission to use percentages that more accurately reflect current market practices in determining product cost reimbursement for the VDP.

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED:

Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Linda K. Wertz

14. TITLE:

State Medicaid Director

15. DATE SUBMITTED:

November 16, 2001

16. RETURN TO:

Linda K. Wertz
State Medicaid Director
Health and Human Services Commission
Post Office Box 13247
Austin, Texas 78711

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

20 NOVEMBER 2001

18. DATE APPROVED:

3 JANUARY 2002

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

21 OCTOBER 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

CALVIN G. CLINE

22. TITLE: ASSOCIATE REGIONAL ADMINISTRATOR
DIV OF MEDICAID AND STATE OPERATIONS

23. REMARKS:

Attachment to Block 7 to HCFA Form 179
Transmittal No. TN01-19, Amendment No. 614

No change in reimbursement is being made under this proposal until the completion of acquisition cost audits currently underway in Texas. Therefore, there is no fiscal impact with the adoption of this amendment, as the wholesale cost reimbursement to pharmacies will continue to be based on the lesser of AWP-15% or cost to the wholesaler + 12% until changes are proposed based on the completed audits. --
Any changes in the actual reimbursement percentages made as a result of the audits, and their fiscal impact, if any, will be sent to CMS at the time they are determined.

Attachment to HCFA-179 for
Transmittal No. 01-19, Amendment No. 614

Number of the
Plan Section or Attachment

Page 2c
Page 2c.1

Number of the Superseded
Plan Section or Attachment

Page 2c(TN97-15)
New

(4.) A delivery incentive shall be paid to approved providers offering delivery to all Medicaid recipients requesting it. The delivery service is considered part of the Medicaid benefit, and as such, an approved provider receiving the delivery incentive must accept Medicaid payment as payment in full. The delivery incentive is \$.015 per prescription and is to be paid on all Medicaid prescriptions filled. The delivery incentive is not to be paid for over-the-counter drugs that are prescribed as a benefit of this program.

Item 5 Reimbursement Methodology for Pharmacy Reimbursement

II. Reimbursement Methodology

C. Estimated Acquisition Cost

For all medications, legend and non-legend, covered by the Vendor Drug Program (VDP) and appearing in the Texas Drug Code Index (TDCI) and updates, the following requirements must be met.

(1.) A pharmaceutical provider is reimbursed based on the lesser of the Health and Human Services Commission's (HHSC) best estimate of acquisition cost EAC plus the HHSC's currently established dispensing fee per prescription or the usual and customary price charged the general public.

(2.) Estimated Acquisition Cost (EAC) is defined as wholesale estimated acquisition cost (WEAC), direct estimated acquisition cost (DEAC), according to the pharmacist's usual purchasing source and the pharmacist's usual purchasing quantity; or maximum allowable cost (MAC) for multi-source drugs.

EAC is verifiable by invoice audit conducted by the HHSC to include necessary Supporting documentation that will verify the final cost to the provider.

All drug purchases through a central purchasing agreement or from a central Purchasing entity must be billed to the HHSC as warehouse purchases.

The WEAC is established by the HHSC using market sources, which include, but are not limited to: the current Redbook; Redbook update; First Databank; First Alert; or manufacturer reported pricing.

The WEAC may not exceed average wholesale price (AWP)- 15% or wholesaler cost, as supplied by the drug manufacturers, plus an amount (12%) representing wholesaler operating costs and profits under current market conditions. The lesser of the AWP- 15% or wholesaler cost + 12% reimbursement amount will be selected for each covered product.

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97-15

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Market conditions will be examined at least every two years. Market conditions will be determined from information supplied to the HHSC by reliable sources, which include, but are not limited to the manufacturer, the wholesaler, and contracted providers. Exceptions to general pricing determination may be made on certain drugs and/or drug categories based on information from these same market sources.

The DEAC is established by the HHSC using direct price information supplied by drug manufacturers. Providers are reimbursed only at the DEAC on all drug products that are available from select manufacturers/distributors who actively seek and encourage direct purchasing. The TDCI is used as the reference for drugs included in the scope of benefits and for allowable package sizes. No acquisition cost is billed to HHSC for samples dispensed.

(3.) Reimbursement for non-legend drugs is based on the lesser of the usual and customary price charged to the general public of EAC, plus 50% of the EAC . No dispensing fee is added to the price of non-legend drugs, and 50% of the EAC may not exceed the assigned dispensing fee.

(4.) Notice of a Public Hearing to receive comments on proposed changes to general pricing determinations derived under these rules shall be published in the Texas Register.

(5.) Definitions. As used in Section II (C.) these terms shall be defined as follows:

Reported Manufacturer Price – Information on pricing submitted to VDP by the manufacturer, including Average Wholesale Price, Average Manufacturer Price, wholesaler costs, direct prices and institutional or contract prices.

Reliable Sources – Sources including other state/federal agencies and pricing services, as well as verifiable reports by contracted pharmacists and VDP field staff.

Market Conditions - Conditions within the overall retail and wholesale pharmacy drug marketplace.

Wholesaler Costs – The net cost of a product of a drug wholesaler or distributor.

SUPERSEDES: NONE - NEW PAGE

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DATE REC'D <u>11-20-01</u>	
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HCFA 179 <u>TX-01-19</u>	



DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Calvin G. Cline

Associate Regional Administrator, Medicaid and State Operations

1301 Young Street, Room 833
Dallas, Texas 75202
Phone (214) 767-6301
Fax (214) 767-0322

January 3, 2002

Our Reference: **SPA-TX-01-19**

Ms. Linda K. Wertz, State Medicaid Director
Texas Health and Human Services Commission
Post Office Box 13247
Austin, Texas 78711

Dear Ms. Wertz:

We have enclosed a copy of HCFA-179, **Transmittal Number 01-19**, dated November 16, 2001.

This amendment modifies the plan by changing the reimbursement methodology for the Vendor Drug Program (VDP) to allow the Texas Health and Human Services Commission to use percentages that more accurately reflect current market practices in determining product cost reimbursement for the VDP. We have approved the amendment for incorporation into the official Texas State Plan **effective October 21, 2001**. If you have any questions, please call Shirley Glaspie at (214) 767-6407.

Sincerely,

Calvin G. Cline
Associate Regional Administrator
Division of Medicaid and State Operations

Enclosures

cc: Elliott Wesiman, CMSO, PCPG
Commerce Clearing House